

# RECOMMENDATIONS

## GOVERNMENT ROLE

### Policies

RECOMMENDATION 1 P. 65  
The Government should provide a clear statement of support for co-operative development, including the basis on which it will encourage the development of co-operatives and co-operation.

RECOMMENDATION 2 P. 65  
In providing support to co-operative development where it is consistent with the Government's programs and priorities, the Government should:

- (a) Assist co-operative development in a manner which is consistent with co-operative principles and practice;
- (b) Recognise that co-operatives are organisations whose autonomy and democratic management are critical to their success and that government support should not subvert that autonomy.

RECOMMENDATION 3 P. 65  
Co-operatives should be accountable for support provided by government.

### Strategies

RECOMMENDATION 4 P. 66  
The economic potential of co-operatives should be recognised and developed in the Economic Strategy by the Government with the assistance of the proposed Victorian Co-operatives Council.

RECOMMENDATION 5 P. 67  
Consultative mechanisms between government and the co-operative sector should include regular access by sector associations.

RECOMMENDATION 6 P. 68  
The Government should ensure that in drafting legislation and regulations, preparing policies and program guidelines and in all its areas of operation, there is no discrimination or barriers obstructing the participation of co-operatives.

RECOMMENDATION 7 P. 69  
In the development of the Government's Social Justice Strategy, the potential for using co-operatives as a major vehicle for the implementation of the Strategy should be further explored and the proposed Office of Co-operatives and Victorian Co-operatives Council should be invited to contribute to the Strategy.

- RECOMMENDATION 8 P. 70
- (a) The Victorian Co-operatives Council should advise the Government on the types of co-operatives it should assist, and the Government should determine the types, degree and method of assistance at an early date.
  - (b) Grant funding of individual co-operatives by government should be of a short term nature with the provision of loans in the long term being made available, particularly in relation to venture capital.

## ORGANISATION

### Policies

RECOMMENDATION 9 P. 72  
Prime responsibility for co-operative development should lie with sector associations.

RECOMMENDATION 10 P. 72  
The Government should provide seeding grants to establish viable sector associations as the basis for co-operative development in Victoria.

RECOMMENDATION 11 P. 73  
In order to promote co-operation among co-operatives, the development of a single, peak association per sector should be encouraged.

RECOMMENDATION 12 P. 74  
Development agencies proposed for co-operative sectors should be managed by sector associations.

RECOMMENDATION 13 P. 75  
The Government should liaise directly with peak associations, including the Co-operative Federation of Victoria.

RECOMMENDATION 14 P. 75  
A new consultative mechanism between the Government and the co-operative movement should be established. Known as the Victorian Co-operatives Council (VCC), it should advise the Minister responsible for co-operatives on all matters relating to the co-operative movement as a whole.

RECOMMENDATION 15 P. 76

- (a) There should be a separate Ministerial portfolio (but not necessarily a separate Minister) for co-operatives.
- (b) The present Registry and other areas of co-operative administration should be consolidated within an Office of Co-operatives. The Registrar should be replaced with a Director of Co-operatives.

- (c) The Research and Policy Branch of the Registry of Co-operatives and the Co-operative Development Unit of the Department of Labour should be replaced by a Co-operative Development Section within the Office of Co-operatives which would co-ordinate all government development concerning co-operatives and provide secretarial support to the Victorian Co-operatives Council.

### Strategies

RECOMMENDATION 16 P. 78

- (a) Formation of the following sector associations should be encouraged by the Victorian Co-operatives Council and through the provision of short term, government grants:
- Producer co-operatives;
  - Trading co-operatives;
  - Rental housing co-operatives under the auspice of the Common Equity Rental Co-operatives Sub-Committee;
  - Community settlement co-operatives;
  - Worker co-operatives under the auspice of the Worker Co-operative Working Party;
  - Food co-operatives under the auspice of the Victorian Food Co-operative Study Group;
  - Community-based, child care centres under the auspice of Community Child Care;
  - Aboriginal co-operatives.
- (b) Until such time as effective producer and trading sector associations are established, the Co-operative Federation of Victoria should continue to represent their sector interests.

RECOMMENDATION 17 P. 79

- (a) There should be only one association officially registered under the Act for each co-operative sector, unless another group of co-operatives can justify its registration on the grounds that it represents substantially different interests. Registration should be determined by the Director of Co-operatives in consultation with the Victorian Co-operatives Council.
- (b) Membership of registered associations by individual co-operatives should be voluntary.

RECOMMENDATION 18 P. 80

Functions of a registered association should include:

- (a) Promoting the development of its co-operative sector, including the management of sector specific development agencies;
- (b) Establishing an education committee to facilitate the research, design and development of educational and training programs to

suit the needs of the sector; and the use of appropriate, existing educational institutions and systems on a regional basis for the delivery of these programs;

- (c) Co-ordinating and negotiating government funding and support for its sector;
- (d) Advising and negotiating with the Government and the Victorian Co-operatives Council on its co-operative sector;
- (e) Representing its co-operative sector on the Victorian Co-operatives Council if appointed by the Minister;
- (f) Co-ordinating business consulting services for its co-operative sector;
- (g) Encouraging and co-ordinating economic co-operation between co-operatives.

#### RECOMMENDATION 19

P. 81

- (a) The Co-operative Federation of Victoria should be encouraged to change its structure and membership in order to provide a balanced representation of all co-operative sectors, and an overview of the co-operative movement as a whole.
- (b) Further federations should be tertiary co-operatives with membership restricted to registered associations. They should be required to register under the Act, and registration should be determined by the Director of Co-operatives in consultation with the Victorian Co-operatives Council.

#### RECOMMENDATION 20

P. 82

The functions of the Victorian Co-operatives Council should be as follows:

- (a) Advise the Government on the promotion and development of co-operatives in Victoria;
- (b) Assess the progress of the co-operative movement in Victoria;
- (c) Develop strategies for the long term development of co-operatives;
- (d) Advise on the impact of government activities on co-operative development;
- (e) Assist the co-operative associations in resourcing their co-operative sectors;
- (f) Advise the Minister and the Director on policy relating to:
  - (i) co-operative legislation review;
  - (ii) co-operative finance including grants, loans and guarantees;
  - (iii) co-operative philosophy;
  - (iv) co-operative economic, social and political factors;
  - (v) prudential regulation of co-operatives;
  - (vi) the impact of government legislation, regulations, policies and programs on co-operatives.

RECOMMENDATION 21 P. 82

(a) The membership of the Victorian Co-operatives Council should comprise the following:

- Representatives of government including the Director of Co-operatives 3
  - Persons other than representatives of government, appointed by the Minister administering the Act, with qualification or expertise relevant to co-operatives 2
  - Persons appointed by the Minister after consultation with the co-operative sectors or associations 10
- 15

(b) In appointing representatives to the Council, the Minister should have due regard to the balance between large and small sectors, representation proportional to individual membership and the balance between sexes.

RECOMMENDATION 22 P. 84

The functions of the Office of Co-operatives should be as follows:

- (a) Co-ordination of co-operative development by government;
- (b) Consulting government departments and assisting sector associations in liaison with these departments;
- (c) Assisting in the development of autonomous sector associations as requested;
- (d) Carrying out research and policy development as directed by the Minister and the Victorian Co-operatives Council;
- (e) Secretarial support to the Victorian Co-operatives Council;
- (f) Provision of advice and counselling to both submitting and existing co-operatives;
- (g) Provision of advice on government funding of co-operative sectors;
- (h) Registration of co-operatives;
- (i) Monitoring compliance with the Co-operatives Act.

RECOMMENDATION 23 P. 84

The Office of Co-operatives should have a separate, shopfront location.

## LEGISLATION

### Policies

RECOMMENDATION 24 P. 86

There should be a new Co-operatives Act in place of the present Co-operation Act which defines and protects co-operative identity and structures by incorporating co-operative philosophy, principles and practices within the legislation.

RECOMMENDATION 25 P. 87

The new Act should have the following objectives:

- To promote co-operative philosophy, principles, practices and objectives;
- To protect the interests of co-operative members;
- To protect the interests of the public in the operations and activities of co-operatives;
- To enable an infrastructure for the co-operative sector consisting of primary co-operatives, associations and federations.

RECOMMENDATION 26 P. 87

The Co-operatives Act should be written in plain English and have a simple structure.

RECOMMENDATION 27 P. 87

While a co-operative's rules must be consistent with the co-operative principles and the Act, the rules should permit diversity within and between sectors.

RECOMMENDATION 28 P. 88

The legislation should encourage greater self regulation.

RECOMMENDATION 29 P. 89

- (a) As a minimum means of identifying a co-operative, the legislation should recognise that members of primary co-operatives are to enjoy equal rights of voting (one member, one vote) and participation in decisions affecting their co-operatives.
- (b) In other than primary co-operatives, the administration should be conducted on a democratic basis in a suitable form and guidelines for this purpose should be developed by the Victorian Co-operatives Council.

RECOMMENDATION 30 P. 90

- (a) The Act should be written in full consultation with all the co-operative sectors, and where possible should be couched broadly enough to encourage all co-operatives to register or remain registered under it, but without dilution of basic principles.
- (b) Transfer of registration from other legislation should not be compulsory.
- (c) In view of the impending repeal of the Industrial and Provident Societies Act, the Victorian Co-operatives Council should hold discussions with the industrial and provident societies as soon as possible.
- (d) Part VI of the Housing Act concerning rental housing co-operatives should be transferred to the new Co-operatives Act.

## Strategies

RECOMMENDATION 31 P. 91

(a) The following definition of a co-operative should be included in the Act:

“A co-operative is a group of people who voluntarily come together on a basis of equality, self help and mutual aid, with the purpose of jointly promoting their socio-economic well-being in a democratic manner, while adhering to the six principles of co-operation incorporated within the Act.”

(b) The word “co-operative” should be used as a noun and the former descriptive term “co-operative society” should no longer be used.

RECOMMENDATION 32 P. 91

The following interpretation of the co-operative principles should be included in the Co-operatives Act. The reformulated words have been *italicised*. There should be a requirement for substantial compliance with the principles as determined by the Director of Co-operatives in consultation with the Victorian Co-operatives Council.

- Membership of a co-operative should be voluntary and available without artificial restriction or any social, political, racial or religious discrimination, to all persons who can make use of its services and are willing to accept the responsibilities of membership *as set out in the rules*.
- Co-operatives are democratic organisations which embody and encourage membership control. *The basis for this is equal rights of voting—one member, one vote. Democracy in co-operatives must be ongoing and participative. Their affairs should be administered in a manner agreed by the members and accountable to them.*
- *Share capital's primary objective is to serve a co-operative's activities, rather than provide a basis for individual return to members. Shareholders should receive a limited return on their capital, if any.*
- The economic results arising from the operations of a co-operative belong to the members of that co-operative and should be distributed in such a manner as would avoid one member gaining at the expense of others. This may be done by decisions of the members as follows: (a) by provision for development of the business of the co-operative; (b) by provision of common services; or (c) by distribution among the members in proportion to their transactions with the co-operative. *Transactions are the member's dealings with the co-operative.*
- All co-operatives should make provision for the education of their members, officers, and employees and of the general public, in the co-operative principles and techniques both economic and democratic.

- *Co-operation is an alternative to competition. There should be mutual support between co-operatives and co-operative sectors and communities at the local, national and international levels; this is the foundation of the co-operative movement and should be demonstrated on a practical level.*

RECOMMENDATION 33 P. 93

- (a) There should be a review of all the Registrar's discretionary powers.
- (b) Any use of major discretionary powers should be subject to consultation with the proposed Victorian Co-operatives Council, with written guidelines being developed based on precedent.
- (c) Decisions by the Director of Co-operatives, Victorian Co-operatives Council and the Credit Co-operatives Reserve Board should be subject to appeal to a duly constituted tribunal.

RECOMMENDATION 34 P. 94

Internal management should be the business of the individual co-operative and sector associations, as defined in their rules and guidelines.

RECOMMENDATION 35 P. 94

Where necessary, the Director of Co-operatives should have an obligation to see that investigations are conducted on behalf of minority shareholders, and a determination made.

RECOMMENDATION 36 P. 95

- (a) New model rules should be drawn up for each co-operative sector by the Office of Co-operatives in consultation with sector associations, or in their absence, in consultation with sector representatives. The new model rules should be subject to the approval of the Victorian Co-operatives Council.
- (b) The co-operative principles as set out in the Act should be incorporated into the model rules for each sector.
- (c) There should be an obligation placed on co-operatives to spell out the rights and responsibilities of their members within sector model rules.
- (d) All co-operative sectors should develop equal opportunity policies and practices which should be reflected in sector model rules.

RECOMMENDATION 37 P. 96

In relation to distribution of surplus, capital gains, asset revaluation or residual assets, the following guidelines should apply in their incorporation into sector model rules:

- (a) Surplus belongs to members for them to distribute according to their rules. There should, however, be no cash distribution of surplus to



members until an agreed level of reserves has been accrued, as specified in a co-operative's rules, and co-operatives principally developed by government funding should not be permitted to make any surplus distribution to individual members;

- (b) In the distribution of capital gains or asset revaluation, the choice should be up to the co-operative whether to build up reserves or issue to members bonus shares or cash rebates in proportion to their transactions with the co-operative;
- (c) Distribution of residual assets should be covered in the rules, and be subject to approval by the Director of Co-operatives. Co-operatives principally developed by government funding should not be permitted to distribute residual assets to individual members.

RECOMMENDATION 38

P. 97

- (a) The Act should enable a co-operative to buy back shares from inoperative members provided that at any one time it does not hold more than 5% of its paid up capital. Inoperative members should be defined as those not having had transactions with the co-operative for two years without the authority of the managing body of the co-operative.
- (b) In the case of worker co-operatives, it should be automatically provided that cessation of employment by the co-operative leads to cessation of membership.

RECOMMENDATION 39

P. 98

The Attorney-General should be requested to amend the definition of "co-operative" in the Companies (Victoria) Code in a similar fashion to that being considered for the new Co-operatives Act.

## EDUCATION AND TRAINING

### Policies

RECOMMENDATION 40

P. 102

The role and importance of co-operative education and training in the development of a successful co-operative movement should be fully recognised and given high priority by the Government.

The Government should encourage the teaching in educational institutions of the philosophy and practice of co-operation.

RECOMMENDATION 41

P. 102

MACC endorses the following recommendations of the report commissioned by it, "Democracy Through Education":

- (a) A wide scope for co-operative education and training should be adopted, while ensuring that the content and presentation are underpinned with co-operative ideology;

- (b) Different types of co-operatives should receive co-operative education and training targeted to their individual needs;
- (c) Education and training should be available at a local and regional level;
- (d) A body should be established to facilitate and co-ordinate co-operative education and training on a State-wide basis.

## **Strategies**

RECOMMENDATION 42 P. 103  
 Each co-operative sector should establish an education and training committee to facilitate and co-ordinate the research and development of courses and programs, and the Government should provide financial support for these committees in the early stages.

RECOMMENDATION 43 P. 103  
 (a) The Victorian Co-operatives Council should establish a Co-operative Education and Training Authority (CETA) to co-ordinate co-operative education and training. Membership should be drawn from the VCC, sector education committees and include non-voting membership from relevant education institutions and the Victorian Education Department.  
 (b) Establishment and interim funding of CETA should be provided by the Government.

RECOMMENDATION 44 P. 104  
 (a) Funds should be provided by the Government to establish education committees and ensure curriculum development.  
 (b) All co-operatives should pay a levy which contributes towards the provision of education and training.  
 (c) The Victorian Co-operatives Council should set the levy, with Ministerial approval, from time to time.

## **FINANCE**

### **Policies**

RECOMMENDATION 45 P. 106  
 The co-operative movement should be recognised as an independent movement and should be encouraged to be self-funding as far as possible by means of member equity, greater retention of capital and increasing reserves.

RECOMMENDATION 46 P. 108  
 The Government and Victorian Co-operatives Council should encourage the credit co-operative movement to play a significant role in

providing financial services to, and assisting with, the development of the broader co-operative movement.

RECOMMENDATION 47 P. 109  
Further financing facilities should be established to provide the co-operative movement with appropriate venture capital and wholesale loans.

RECOMMENDATION 48 P. 111  
The Treasurer should be authorised to extend the government guarantee system to cover venture capital and wholesale loans for any type of co-operative. The appropriate conditions to ensure the proper use of this facility should be determined with the assistance of the Victorian Co-operatives Council.

### **Strategies**

RECOMMENDATION 49 P. 111  
The minimum and maximum shareholding of a member in a co-operative should be determined in the rules of the individual co-operative.

RECOMMENDATION 50 P. 112  
There should be no cash distribution of surplus to members until an agreed minimum level of reserves has been accrued, as specified in a co-operative's rules, and approved by the Victorian Co-operatives Council.

RECOMMENDATION 51 P. 113  
(a) Co-operatives should be encouraged to bank with credit co-operatives.  
(b) Government funding of co-operatives should be directed, as much as possible, through the credit co-operative system.  
(c) Legislative and policy restrictions which prevent community-based organisations in receipt of government funding from depositing those funds with credit co-operatives should be removed.

RECOMMENDATION 52 P. 113  
Realistic, clearly identifiable common bonds for credit co-operatives should be retained with any requests for changes being considered by the Director of Co-operatives in consultation with the Credit Co-operatives Reserve Board.

RECOMMENDATION 53 P. 114  
(a) The Victorian Co-operatives Council should as an early priority establish a working party to investigate the establishment of a wholesale financing facility for the co-operative movement.

- (b) Members of the working party should include representatives from credit co-operatives, co-operative companies, co-operative housing societies, the Co-operative Federation of Victoria, emerging co-operatives (worker, food and rental housing), and the Department of Management and Budget.

## **TRADE UNIONS**

RECOMMENDATION 54 P. 118

- (a) The Victorian Co-operatives Council should support the establishment of a working party between the Victorian Trades Hall Council and the Worker Co-operative Working Party.
- (b) The Office of Co-operatives should discuss with the Trades Hall Council the possibility of appointing a worker co-operative liaison officer.

## **TRANSITIONAL ARRANGEMENTS**

### **Victorian Co-operatives Council**

RECOMMENDATION 55 P. 119

There should be an urgent amendment to the Co-operation Act, 1981, to replace the Co-operative Societies Advisory Council with the proposed Victorian Co-operatives Council.

### **Office of Co-operatives**

RECOMMENDATION 56 P. 120

- (a) A Minister for Co-operatives should be immediately appointed.
- (b) A separate, Office of Co-operatives should be established as a matter of urgency.

### **Worker co-operatives**

RECOMMENDATION 57 P. 121

The four designated positions in the Co-operative Development Unit in the Department of Labour be immediately transferred to the General Co-operatives Branch in the Registry of Co-operatives, preparatory to their inclusion within the proposed Co-operative Development Section of the Office of Co-operatives.

RECOMMENDATION 58 P. 122

- (a) The Office of Co-operatives should auspice a Worker Co-operative Development Agency to be transferred as soon as possible and practicable to the Worker Co-operative Association. The Worker Co-operative Working Party should be recognised as the steering committee for the establishment of the Worker Co-operative Association.

- (b) Funding of worker co-operatives should be maintained at its current level of \$1.4 million for 1986-87.
- (c) The development of worker co-operative education and training by Preston College of TAFE should continue in conjunction with worker co-operatives over the next 12 months at the current level of \$100,000.

### **Food co-operatives**

RECOMMENDATION 59 P. 123

- (a) In the interests of continuity, the current level of funding in real terms should be maintained for the Victorian Food Co-operative Study Group (VFCSG). The Government should, therefore, budget \$80,000 for the VFCSG in 1986/87.
- (b) Funding of the VFCSG should be immediately transferred to the Registry of Co-operatives, Ministry of Housing, pending the establishment of the Office of Co-operatives.
- (c) The VFCSG should be commissioned by the Office of Co-operatives to develop guidelines and a budget for the funding of individual food co-operatives.

RECOMMENDATION 60 P. 124

The proposed warehouse and development centre for food co-operatives should be funded from the social justice allocations in the State budget and initiated through the Office of Co-operatives.

### **Common equity rental co-operatives**

RECOMMENDATION 61 P. 125

The Treasurer should extend government guarantees to cover loans raised by the Common Equity Housing Finance Co. Ltd. as soon as possible.

RECOMMENDATION 62 P. 125

The Treasurer should agree to the removal of land tax, gift duty and stamp duty on property purchased for common equity rental co-operatives.

## **SPECIFIC SECTOR REQUIREMENTS**

RECOMMENDATION 63 P. 126

The specific sector requirements as set down in this section of the MACC report should be used as guidelines for sector development by the Government, Victorian Co-operatives Council and the Office of Co-operatives.